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FOR IMMEDIATE RELEASE**

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**CHAPMAN INDICTED FOR DEFRAUDING
THE STATE RETIREMENT & PENSION SYSTEM OF MARYLAND**

BALTIMORE, Maryland - Thomas M. DiBiagio, United States Attorney for the District of Maryland, announced today that a federal grand jury has indicted Nathan A. Chapman, Jr., age 45, of Clarksville, Maryland, for crimes committed in connection with schemes to defraud the State Retirement & Pension System of Maryland ("State Pension System"), shareholders in his companies and the public. The 39 count indictment charges Chapman with mail fraud, wire fraud, securities fraud and conspiracy.

The State Pension System provides retirement benefits to Maryland state employees such as teachers, police officers and firemen. A 14 member Board of Trustees is responsible for overseeing the 40 investment managers who are entrusted with investing and preserving the retirement funds. Chapman was one of the managers.

The indictment alleges that Chapman was President, CEO, Chairman of the Board of Directors and a majority shareholder in three publicly owned companies: The Chapman Company ("TCC"), Chapman Capital Management, Inc. ("CCM"), and eChapman, Inc. In November 1996 CCM acquired a tax exempt pooled unit trust for qualified employee benefit plans which Chapman

named as the DEM-MET. At all times that CCM owned and managed the DEM-MET, the State Pension System was the largest investor. For example, by early 2002, the State Pension System accounted for nearly 83% of the DEM-MET's total assets. Chapman was responsible for allocating the invested money among 12-14 sub-advisors to the DEM-MET. In December of 1996, CCM became the DEM-MET's primary investment manager. As primary investment manager from 1997 to 2001, CCM received over \$6 million in fees to manage the State Pension System funds.

The indictment alleges that in late 1999, Chapman decided to merge TCC and CCM into a new company, *eChapman.com*. Chapman sold the newly created shares of stock in *eChapman.com* (renamed *eChapman, Inc.*) in an Initial Public Offering (IPO) in June of 2000. Chapman is charged with fraudulently investing more than \$5 million of State Pension System funds in the stock of *eChapman*. The indictment charges Chapman with compelling Alan Bond, a sub-advisor for the DEM-MET, to purchase the *eChapman* stock using State Pension System funds invested in the DEM-MET, despite numerous restrictions that should have precluded such investments. Bond was under indictment at that time for other securities fraud in the Southern District of New York. The State Pension System lost \$4.724 million before the DEM-MET was liquidated in February 2002.

The indictment further alleges that Chapman unlawfully took more than \$437,000 from the corporate coffers of CCM, TCC and *eChapman* and filed false documents with the Securities and Exchange Commission in relation to this corporate looting. Chapman is also charged with using corporate funds to pay for gifts, trips and financial support to various women. Chapman is alleged to have given Debra Humphries, one of the 14 Trustees of the State Pension System, more than \$46,000 in cash, which funds he had obtained from the same corporate accounts. He is further charged with subsequently conspiring to conceal Humphries' conflict of interest from the State.

Pension System Board and the public through the filing of false financial disclosure statements with the Maryland Ethics Commission.

Finally, Humphries is charged in a separate indictment for perjury, alleging that she lied to the federal grand jury about the payments and gifts provided to her by Chapman.

The maximum penalties for each of the mail fraud, wire fraud, and investment advisor fraud counts, as well as the conspiracy count, are 5 years imprisonment and a \$250,000 fine. The securities fraud count for filing false documents with the SEC carries a maximum penalty of 10 years and a \$1 million fine. If convicted, Chapman could be required to pay restitution in the amounts lost by the State Pension System and other clients.

An indictment is not a finding of guilt. An individual charged by indictment is presumed innocent unless and until proven guilty at some later criminal proceedings.

Federal authorities have not arrested Chapman. He is expected to surrender to U.S. Marshals and have an initial appearance and arraignment on July 3, 2003.

The criminal charges in this indictment are the result of a joint investigation by the Federal Bureau of Investigation, the Securities and Exchange Commission, the Internal Revenue Service, and the United States Attorney's Office. The case is being prosecuted by Assistant U.S. Attorneys Jefferson M. Gray, P. Michael Cunningham and Craig M. Wolff.